

Litchfield Township
County of Hillsdale, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended March 31, 2008

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Independent Auditors' Report

Township Board of Litchfield Township
Litchfield, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Litchfield Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Willis & Jurasek, P.C.
Willis & Jurasek, P.C.

November 11, 2008

Litchfield Township
Statement of Net Assets
March 31, 2008

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and investments	\$ 141,109
Receivables	13,411
Due from tax collection fund	101,560
Investment in joint venture	37,018
Capital assets not being depreciated	16,001
Capital assets being depreciated, net	<u>97,359</u>
Total assets	<u>406,458</u>
 Net Assets:	
Invested in capital assets, net of related debt	113,360
Unrestricted	<u>293,098</u>
Total net assets	<u>\$ 406,458</u>

Litchfield Township
Statement of Activities
Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expenses)
				Revenues and
	<u>Expenses</u>	<u>Charges</u>	<u>Operating Grants</u>	<u>Changes in</u>
		<u>for Services</u>	<u>and Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government				
Governmental activities:				
Legislative	\$ 3,896	\$ -	\$ -	(3,896)
General government	62,225	19,845	-	(42,380)
Public safety	36,973	-	-	(36,973)
Highways and streets	20,201	-	-	(20,201)
Culture and recreation	3,774	-	-	(3,774)
Other	<u>23,673</u>	-	-	<u>(23,673)</u>
Total governmental activities	<u>150,742</u>	<u>19,845</u>	<u>-</u>	<u>(130,897)</u>
General revenues:				
Property taxes				120,047
State shared revenue				65,600
Interest and investment earnings				1,164
Other revenues				9,214
Transfers - internal activities				<u>5,264</u>
Total general revenues				<u>201,289</u>
Changes in Net Assets				70,392
Net Assets - Beginning of Year				<u>336,066</u>
Net Assets - End of Year				<u>\$ 406,458</u>

Litchfield Township
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General Fund</u>
 <u>Assets</u>	
Cash and investments	\$ 141,109
Receivables:	
Taxes receivable	13,411
Due from other funds	<u>101,560</u>
Total assets	<u>\$ 256,080</u>
 <u>Fund Balances</u>	
Fund Balances:	
Unreserved; undesignated	\$ <u>256,080</u>
Total fund balances	<u>256,080</u>
 Total fund balances	 <u>\$ 256,080</u>

Litchfield Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$	256,080
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 305,421

Accumulated depreciation is

(192,061)

113,360

Investments in joint ventures are included as part of governmental
activities in the Statement of Net Assets

37,018

Total Net Assets - Governmental Activities

\$ 406,458

Litchfield Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2008

	<u>General</u>
Revenues:	
Taxes	\$ 120,047
Intergovernmental	65,600
Charges for services	19,845
Interest earnings	1,164
Other	<u>3,505</u>
Total revenues	<u>210,161</u>
Expenditures:	
Legislative	3,896
General government	62,225
Public safety	25,113
Highways and streets	20,201
Culture and recreation	3,774
Other	<u>23,673</u>
Total expenditures	<u>138,882</u>
Revenues Over (Under) Expenditures	<u>71,279</u>
Other Financing Sources (Uses):	
Operating transfers in	<u>5,264</u>
Total other financing sources (uses)	<u>5,264</u>
Net Changes in Fund Balances	76,543
Fund Balances - Beginning of Year	<u>179,537</u>
Fund Balances - End of Year	<u>\$ 256,080</u>

Litchfield Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended March 31, 2008

Net Changes in Fund Balances - Total Governmental Funds	\$ 76,543
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (11,860)
Capital outlay	<u>-</u> (11,860)
Net income from joint venture is not recorded in the governmental funds, but is recorded in the Statement of Activities	<u>5,709</u>
Change in Net Assets of Governmental Activities	<u>\$ 70,392</u>

Litchfield Township
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2008

	<u>Cemetery Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ 40,000	\$ 101,560
Liabilities:		
Due to other funds	-	\$ 101,560
Total liabilities		<u>\$ 101,560</u>
Net Assets:		
Restricted for special purposes	40,000	
Total net assets	<u>\$ 40,000</u>	

Litchfield Township
Statement of Change in Fiduciary Net Assets
Fiduciary Funds
Year Ended March 31, 2008

	<u>Cemetery Trust Fund</u>
Revenues:	
Interest and investment earnings	\$ 2,949
Total revenues	<u>2,949</u>
Other Financing Sources (Uses):	
Transfers out	<u>(5,264)</u>
Total other financing sources (uses)	<u>(5,264)</u>
Change in Net Assets	(2,315)
Net Assets - Beginning of Year	<u>42,315</u>
Net Assets - End of Year	<u>\$ 40,000</u>

Litchfield Township
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of Litchfield Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

Litchfield Township operates under an elected Board of Trustees and provides various services to its residents including public safety, community enrichment and development, and human services. The accompanying financial statements of Litchfield Township have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining which of the governmental organizations are a part of the Township's reporting entity include oversight responsibility, fiscal dependency, scope of public service, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Litchfield Township
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following other funds:

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, include the Tax Collection Fund and the Cemetery Trust Fund.

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Litchfield Township
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Litchfield Township
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued) - Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment and furniture	5 - 20

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for specific purposes.

Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Hillsdale County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2007 had a taxable value of approximately \$29,459,000. The government's general operating tax rate for fiscal year 2007-08 was .8215 mills for operating, .9892 mills for fire and 2.0 mills for roads.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2 - Stewardship, Compliance and Accountability

The General Fund is the governmental fund type under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A General Fund budget is presented to the Township Board in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.

Litchfield Township
Notes to Financial Statements

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 4) Budgets presented for the General Fund were prepared on a modified cash basis of accounting. Encumbrances are not recorded at year end. Appropriations lapse at the end of the fiscal year.
- 5) Expenditures may not legally exceed activity (department) totals in the General Fund. Excess of expenditures over budgeted amounts are disclosed in the Budgetary Comparison Schedule.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level.
- 7) The budgetary information presented has not been amended during the year by an official action of the Township Board.

Note 3 – Deposits and Investments

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ <u>141,109</u>	\$ <u>141,560</u>	\$ <u>282,669</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ <u>282,669</u>
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Investment and Deposit Risk

Interest Rate Risk – State law limits the allowable investments and the maturities of some of the allowable investments. The Township's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment in the governmental mutual funds had an average maturity of less than one year.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Township's investment policy does not have specific limits in excess of State law on investment credit risk. The Township's investment in the government income mutual funds was rated AAA by Standard & Poor's.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, \$100,000 of the Township's bank balance of \$355,388 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Litchfield Township
Notes to Financial Statements

Note 4 - Receivables

Receivables of the governmental activities of the primary government at March 31, 2008, consist of the following:

Taxes receivable	\$ <u>13,411</u>
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Note 5 - Interfund Receivables, Payables and Transfers

The Township reports interfund balances between funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the Statement of Net Assets/Balance Sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 101,560	\$ -
Fiduciary Fund	<u>-</u>	<u>101,560</u>
	<u>\$ 101,560</u>	<u>\$ 101,560</u>

During the year, there was a transfer from the Cemetery Trust Fund to the General Fund in the amount of \$5,264. The transfer was performed to move revenues from interest earned on investments in the Cemetery Trust Fund to the General Fund which is allowed to expend them.

Note 6 - Joint Venture

The Township participates with the City of Litchfield in the Litchfield Fire Department (the "Department"), a joint venture pursuant to an agreement entered into between the two parties. A seven-member Board of Directors comprised of two members of the City of Litchfield Council, two members of the Litchfield Township Board, one member of the Scipio Township Board, one member of the Butler Township Board and one member from the community at large govern the Department.

Either the City of Litchfield or Litchfield Township has the power to terminate the joint venture. However, notice of termination must be given six months prior to the Department's fiscal year-end. Upon termination, all property of the Department will be liquidated and any outstanding indebtedness will be paid. The proceeds then remaining will be divided equally between the City of Litchfield and Litchfield Township.

The Department is funded by fire contracts with local townships and equal contributions made by the City of Litchfield and Litchfield Township. The Department reported revenues in excess of expenditures in the amount of \$11,418 in its latest audited financial statements for the year ended June 30, 2007. Litchfield Township reported \$5,709 (fifty-percent) of the revenues over expenditures in its government-wide financial statements in governmental activities for its year ended March 31, 2008. The Township's investment in the joint venture is reported in the Statement of Net Assets under governmental activities in the amount of \$37,018. The financial activity of the Department is audited by other auditors.

As of June 30, 2007, the Department did not have title to any real property or rescue vehicles. The City of Litchfield and Litchfield Township have title, either jointly or individually, to all fire rescue vehicles used in the Department's operation. Additionally, the City of Litchfield and Litchfield Township were mutually obligated in a capital lease agreement to finance a rescue vehicle, which was paid off during the Township's current fiscal year-end.

Copies of the Department's financial statements may be obtained at the City of Litchfield offices.

Litchfield Township
Notes to Financial Statements

Note 7 - Capital Assets

Capital assets activity for the year ended March 31, 2008 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 16,001	\$ -	\$ -	\$ 16,001
Total capital assets not being depreciated	16,001	-	-	16,001
Capital assets being depreciated:				
Buildings and improvements	17,000	-	-	17,000
Equipment and furniture	272,420	-	-	272,420
Total capital assets being depreciated	289,420	-	-	289,420
Accumulated depreciation:				
Buildings and improvements	17,000	-	-	17,000
Equipment and furniture	163,201	11,860	-	175,061
Total accumulated depreciation	180,201	11,860	-	192,061
Total capital assets being depreciated - net	109,219	(11,860)	-	97,359
Governmental activities capital assets - net	\$ 125,220	\$ (11,860)	\$ -	\$ 113,360

Depreciation expense was allocated to public safety in the amount of \$11,860.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplemental Information

Litchfield Township
 Budgetary Comparison Schedule
 General Fund
 Year Ended March 31, 2008

	2008		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 61,000	\$ 61,000	\$ 120,047
State shared revenue	63,500	63,500	65,600
Charges for services	38,000	38,000	19,845
Interest	3,150	3,150	1,164
Other	<u>3,000</u>	<u>3,000</u>	<u>3,505</u>
Total revenues	<u>168,650</u>	<u>168,650</u>	<u>210,161</u>
Expenditures:			
Legislative:			
Township board	<u>3,340</u>	<u>3,340</u>	<u>3,896</u>
General government:			
Supervisor	5,200	5,200	5,200
Elections	5,500	5,500	2,263
Legal	1,000	1,000	-
Clerk	8,460	8,460	8,742
Board of review	600	600	468
Treasurer	10,500	10,500	10,637
Assessor	7,600	7,600	7,020
Cemetery	<u>32,500</u>	<u>32,500</u>	<u>27,895</u>
Total general government	<u>71,360</u>	<u>71,360</u>	<u>62,225</u>
Public safety:			
Fire	35,000	35,000	24,375
Zoning	<u>1,000</u>	<u>1,000</u>	<u>738</u>
Total public safety	<u>36,000</u>	<u>36,000</u>	<u>25,113</u>
Highways and streets:			
Roads	17,000	17,000	17,113
Drains at large	<u>5,000</u>	<u>5,000</u>	<u>3,088</u>
Total highways and streets	<u>22,000</u>	<u>22,000</u>	<u>20,201</u>
Culture and recreation:			
Library	<u>3,500</u>	<u>3,500</u>	<u>3,774</u>
Other	<u>15,300</u>	<u>15,300</u>	<u>23,673</u>
Total expenditures	<u>151,500</u>	<u>151,500</u>	<u>138,882</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	5,264
Total other financing sources (uses)	-	-	<u>5,264</u>
Changes in Fund Balances	17,150	17,150	76,543
Fund Balances - Beginning of Year	<u>179,537</u>	<u>179,537</u>	<u>179,537</u>
Fund Balances - End of Year	<u>\$ 196,687</u>	<u>\$ 196,687</u>	<u>\$ 256,080</u>



To the Township Board and Management
of Litchfield Township

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Litchfield Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- 2008-1: The management of the Township has the ability to produce internal reporting that allows for financial management of the day-to-day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS #112.
- 2008-2: Due to the limited personnel in the accounting department, the Township lacks segregation of duties over several areas, including cash receipting and cash disbursements. The limited size of the staff does not allow for segregating duties. The Board should be aware of and attempt to establish procedures to minimize this lack of controls.
- 2008-3: During the course of our audit, we made material adjustments to the financial statements. By definition, this is considered a material weakness under SAS #112.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we believe Findings 2008-1 and 2008-3 constitute material weaknesses.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

November 11, 2008

WILLIS & JURASEK, P.C.

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November 11, 2008

To the Township Board
Litchfield Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Township for the year ended March 31, 2008, and have issued our report thereon dated November 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

(Other Information in Documents Containing Audited Financial Statements)

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions throughout the year.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Litchfield Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Litchfield Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.